

# ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1941



## NATIONAL BISCUIT COMPANY



# NATIONAL BISCUIT COMPANY

449 West Fourteenth Street, New York

## *To the Stockholders:*

Gross sales in 1941 were \$119,599,610 compared with \$103,670,459 in the year 1940. Net income for 1941 was \$10,732,137 compared with \$11,148,826 for 1940.

Earnings before Federal and Foreign Income and Excess Profits Taxes were \$19,043,776, an increase of \$3,118,868 as compared with 1940, but taxes for 1941 amounted to \$8,311,639, an increase of \$3,535,557 as compared with 1940, accounting for the difference in net earnings between the two years.

Depreciation has been charged in the amount of \$3,250,161, as compared with \$3,166,791 in 1940.

As stated in previous reports, the nature of our business is such that inventories, both Raw Materials and Finished Product, can little exceed current needs, and the Company does not enter into future commitments at any time in such amount as to affect its financial position materially.

Foreign investments of the Company located in Canada and England are included in the Consolidated Balance Sheet and at the close of the year amounted to \$5,509,000. Operations in both countries were maintained throughout the year without serious interruptions. The Company continued its practice of withdrawing cash funds from these subsidiaries in amounts substantially equivalent to current earnings through permission granted by the fiscal authorities in both countries. In the case of the English subsidiary, such earnings are after provision for contingencies amounting to \$67,710 for 1941.

For comparative purposes we continue to include the earnings from operations of our foreign subsidiaries at the former par of exchange but reduce them to the current rates through the Foreign Exchange Adjustments Account, so that the net results are finally included in the Consolidated

Income Account in equivalent U. S. Dollars.

Sales volume of our foreign subsidiaries exceeded that of 1940 and their gross earnings were also greater. However, increased taxes reduced these earnings below those of the previous year, the net being 8% of the Company's total net earnings.

In the new Atlanta Bakery over half of the equipment is installed and in operation and we expect to have it in full operation in April.

The new Denver plant is in full operation and is doing its part in supplying merchandise to satisfy the increased sales demand in that territory.

In June, 1941, the Company purchased a flour mill and elevator located at Carthage, Mo. The mill capacity was 650 barrels of flour per day and the elevator storage capacity 260,000 bushels of wheat. We have increased the milling capacity to over 800 barrels per day and the elevator capacity to a total of 1,000,000 bushels of wheat. This property is advantageously situated for the purchase of soft wheat and for the economical distribution of

flour of uniform quality to our mid-western bakeries.

At its bakeries throughout the country the Company is producing large quantities of food for the Army and Navy. In addition to its regular line, it is producing field rations in volume. Collaborating with the Subsistence Research Laboratory of the Chicago Quartermaster Depot, U. S. Army, our Laboratory and Experimental Division conducted extensive experiments, which were helpful in developing the present Type C Ration, designed for use in emergencies, during maneuvers or combat. A similar formula has also been used by us for the Quartermaster Storage Rations and for the emergency ration now used in provisioning lifeboats. The new type band ovens installed within the last few years at various Nabisco bakeries are well adapted to turn out this product on short notice and in large volume.

Pilots and parachute troops of the U. S. Army Air Corps also have a new emergency field ration, mainstay of which is a "pemmican" biscuit, containing in condensed form virtually all the essentials of a balanced diet. Our

Company was requested by the Army to assist in working out a practical baking procedure, and eventually all difficulties relating to formula, production, and packaging were solved.

During the past year we adopted our trade-mark "NABISCO" as a family name to identify the Company and all of its products.

In the past the name had been used only on one very popular variety, but the trade and many of the public have for years referred to the Company as "NABISCO", a natural abbreviation of the full corporate name. Thus in broadening its application we are taking full advantage of a mark which the public has already adopted and approved.

In our advertising the mark "NABISCO" or the legend "Baked by Nabisco" will be coupled with the Company's name, building that association in the public mind.

In line with the continuing trend toward self-service in retail food stores, the Company has developed Nabisco Cello Bag Varieties, packed at the

bakery in attractive cellophane bags. The sales appeal of the merchandise is improved because of its visibility. At the same time, the protective cellophane wrapping assures a sanitary package. This line has met with widespread trade acceptance, resulting in large sales.

During the year the Company, with other leaders in the food industry, became a founder member of The Nutrition Foundation, Incorporated. This is a non-profit institution under the guidance of Dr. Karl T. Compton, dedicated to the improvement of the public health through proper nutrition. It will work with outstanding scientists and in cooperation with Government agencies for the accomplishment of its purpose.

The consolidated balance sheet of the Company at December 31, 1941, and the income and surplus account on the following pages, show the financial condition of the Company at the close of its 44th year.

ROY E. TOMLINSON, *President.*

CONSOLIDATED

ASSETS

|                                                                                                                         | December 31,<br>1941    | December 31,<br>1940    |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Cash . . . . .                                                                                                          | \$19,622,218.66         | \$32,311,529.87         |
| U. S. Bonds and Tax Notes . . . . .                                                                                     | 11,257,500.00           | 1,257,500.00            |
| (Quoted Market 12/31/41—\$11,314,476.56)                                                                                |                         |                         |
| Other Bonds . . . . .                                                                                                   | 121,041.25              | 49,606.25               |
| (Quoted Market 12/31/41—\$124,193.75)                                                                                   |                         |                         |
| Note: \$504,000.00 Principal Amount U. S. and<br>Other Bonds deposited for special reasons.                             |                         |                         |
| Accounts Receivable . . . . .                                                                                           | 3,520,675.20            | 2,920,018.93            |
| Raw Materials, Supplies and Finished Product . . .                                                                      | 14,306,298.91           | 9,214,108.44            |
| (At Cost or Market, whichever is lower, less Special Inventory<br>Reserve of \$1,019,381.51 charged to prior earnings.) |                         |                         |
| Total Current Assets . . . . .                                                                                          | \$48,827,734.02         | \$45,752,763.49         |
| Notes and Mortgages Receivable . . . . .                                                                                | 184,931.43              | 206,552.25              |
| Plants, Real Estate, Machinery, Intangibles, etc. . .                                                                   | 81,129,389.27           | 81,862,215.95           |
| (At Cost in Cash or Capital Stock, Less Allowances for Depreciation.)                                                   |                         |                         |
| Prepaid Expenses and Deferred Charges . . . . .                                                                         | 807,960.56              | 897,072.83              |
| Total . . . . .                                                                                                         | <u>\$130,950,015.28</u> | <u>\$128,718,604.52</u> |

NOTE: The Company's investments in and earnings of subsidiaries in Canada and England, included in the Consolidated Balance Sheet and Income Account, are indicated in the President's report.

# BALANCE SHEET

## LIABILITIES

|                                                                              | December 31,<br>1941    | December 31,<br>1940    |
|------------------------------------------------------------------------------|-------------------------|-------------------------|
| Accounts Payable . . . . .                                                   | \$2,622,408.89          | \$2,170,549.60          |
| (Purchase Invoices, Pay Rolls and other Accruals not due for payment.)       |                         |                         |
| Common Dividend, Payable January 15, 1942 . . . .                            | 2,515,779.20            | 2,515,779.20            |
| Reserve for Federal and Foreign Income and Excess<br>Profits Taxes . . . . . | 9,593,426.09            | 6,428,463.92            |
| Total Current Liabilities . . . . .                                          | \$14,731,614.18         | \$11,114,792.72         |
| Insurance and Contingent Reserve . . . . .                                   | 7,822,298.35            | 7,740,414.56            |
| Capital Stock, Preferred . . . . .                                           | 24,804,500.00           | 24,804,500.00           |
| (Par Value \$100.00—7% Cumulative) Shares authorized 250,000, issued 248,045 |                         |                         |
| Capital Stock, Common . . . . .                                              | 62,894,480.00           | 62,894,480.00           |
| (Par Value \$10.00) Shares authorized 12,000,000, issued 6,289,448           |                         |                         |
| Earned Surplus . . . . .                                                     | 11,041,109.21           | 12,508,403.70           |
| Capital Surplus . . . . .                                                    | 9,656,013.54            | 9,656,013.54            |
| Total . . . . .                                                              | <u>\$130,950,015.28</u> | <u>\$128,718,604.52</u> |

CONSOLIDATED INCOME AND EARNED SURPLUS  
YEAR — 1941

Earnings for the year 1941:

|                           |                 |                 |
|---------------------------|-----------------|-----------------|
| From Operations . . . . . | \$22,288,790.91 |                 |
| Other Income . . . . .    | 172,810.06      |                 |
|                           | <hr/>           |                 |
| Total . . . . .           |                 | \$22,461,600.97 |

*Less:*

|                                                                  |                |               |
|------------------------------------------------------------------|----------------|---------------|
| Depreciation . . . . .                                           | \$3,250,161.35 |               |
| Provision for Federal and Foreign Income and Excess              |                |               |
| Profits Taxes (including \$1,800,000 Federal Excess Profits Tax) | 8,311,639.01   |               |
| Foreign Exchange Adjustments . . . . .                           | 167,663.30     | 11,729,463.66 |
|                                                                  | <hr/>          | <hr/>         |
| Net Earnings for the year . . . . .                              |                | 10,732,137.31 |

*Less:*

|                                                                                                                                      |  |               |
|--------------------------------------------------------------------------------------------------------------------------------------|--|---------------|
| Write-down of Plants, Real Estate, Machinery,<br>Intangibles, etc. Account, in addition to<br>above depreciation allowance . . . . . |  | 400,000.00    |
|                                                                                                                                      |  | <hr/>         |
| Balance of Net Earnings credited to Surplus . .                                                                                      |  | 10,332,137.31 |
| Earned Surplus December 31, 1940 . . . . .                                                                                           |  | 12,508,403.70 |
|                                                                                                                                      |  | <hr/>         |
|                                                                                                                                      |  | 22,840,541.01 |

*Less:*

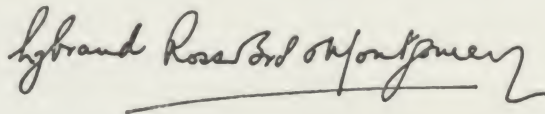
|                                                 |                |                 |
|-------------------------------------------------|----------------|-----------------|
| Preferred Dividends Paid . . . . .              | \$1,736,315.00 |                 |
| Common Dividends Paid . . . . .                 | 7,547,337.60   |                 |
| Common Dividend, Payable January 15, 1942 . . . | 2,515,779.20   | 11,799,431.80   |
|                                                 | <hr/>          | <hr/>           |
| Earned Surplus December 31, 1941 . . . . .      |                | \$11,041,109.21 |
|                                                 |                | <hr/> <hr/>     |

## REPORT OF AUDITORS

*To the Stockholders of*  
NATIONAL BISCUIT COMPANY,  
NEW YORK, N. Y.

We have examined the consolidated balance sheet of National Biscuit Company and its subsidiary companies as of December 31, 1941, and the consolidated statement of income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statement of income and surplus present fairly the consolidated position of National Biscuit Company and its subsidiary companies at December 31, 1941, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Lybrand Ross and Montgomery", with a horizontal line underneath.

New York, N. Y.

January 31, 1942

## BOARD OF DIRECTORS

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GUARANTY TRUST COMPANY

NEW YORK

REGISTRAR

FIRST NATIONAL BANK

NEW YORK



